2017-2018 BUDGET QUESTION

Response to Request for Information

DEPARTMENT: Austin Energy

REQUEST NO.: 137

REQUESTED BY: Casar

DATE REQUESTED: 8/24/17

DATE POSTED: 8/30/17

REQUEST: Does Austin Energy's proposed budget on solar incentives/rebates include any money specifically dedicated to further expand incentive offerings to serve low-to-middle income customers and multifamily properties? What would be the budgetary impact of creating a solar incentive program for multifamily affordable housing with the following parameters: incentive shall start at $1 per watt and be periodically adjusted to ensure a simple payback of 10 years or less for at least 90 percent of affordable housing applications, with affordable housing defined as housing where at least 50 percent of residents fall at or below 80 percent of HUD median family income limits. Please provide a map of where all solar rebates were distributed in FY 2017?

RESPONSE:

Austin Energy's FY18 budget includes $7.5M for solar incentives, with $2.5 M expected to go to commercial / non-profit / multifamily Performance Based Incentives (PBIs), and the remaining $5 M to residential and other new programs. There is not currently a specific carve out for low-to-middle income customers or multifamily properties, as they are eligible to apply under the current programs, which includes an increased incentive for non-profits, including non-profit multifamily affordable housing (MFAH).

MFAH properties are eligible for the Small Commercial PBI rate for projects up to 400 kilowatts (kW), providing them with an incentive of 6 cents/kilowatt hour (kWh), rather than 5 cents/kWh currently available to other customers with systems sized from over 75 kW to 400 kW – a 20% increase in the incentive rate. 3.2 megawatts (MW) of capacity are currently available in the Small Commercial & Non-Profit incentive bucket, and is available on a first-come, first-served basis. Since incentives are paid out over time, the budget impacts of these PBIs will be spread out over 10 years, rather than hitting the FY18 budget specifically.

Further research would need to be done to understand the demand and potential uptake for the incentive described above before budget impact could be estimated. Because MFAH providers are typically not-for-profit entities, they are not able to take advantage of the federal solar tax credits or depreciation, which together reduce the cost of solar by about half for for-profit entities. As such, even with a $1/Watt rebate from Austin Energy, most projects would not currently be able to achieve a simple payback of 10 years. That said, Austin Energy is open to piloting an upfront incentive as proposed above in FY18 to gauge interest, with $1 million carved out from the budget, and participation capped at $200,000 per property.

Austin Energy will also continue to work with MFAH providers and stakeholders to develop offerings that address the underlying barriers to solar adoption, including: a) most do not have the staff or resources to divert from core services to solar project development, b) they cannot monetize the federal solar tax credits or depreciation, b) they cannot access financing for solar due to lack of credit history, and d) if the units are individually metered and the tenants pay their own bills, they would not see a return for their capital investment.

The map below shows new residential & multifamily solar program participants FY17 to-date.